

Auditor's Management Report

for the

*South Hunterdon Regional
School District*

in the

*County of Hunterdon
New Jersey*

for the

*Fiscal Year Ended
June 30, 2016*

**INDEPENDENT AUDITOR'S MANAGEMENT REPORT OF ADMINISTRATIVE
FINDINGS FINANCIAL AND COMPLIANCE**

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Tax ID Number 46-4868149



SUPLEE, CLOONEY & COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

308 East Broad Street, Westfield, New Jersey 07090-2122

Telephone 908-789-9300

Fax 908-789-8535

E-mail info@senco.com

INDEPENDENT AUDITOR'S REPORT

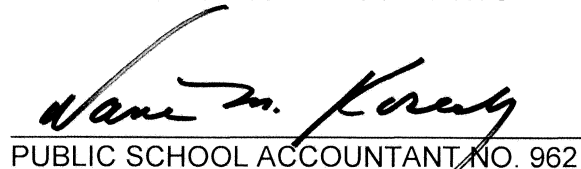
Honorable President and Members
of the Board of Education
South Hunterdon Regional School District
County of Hunterdon
Lambertville New Jersey 08530

We have audited, in accordance with U.S. generally accepted auditing standards and Government Auditing Standards issued by the Comptroller General of the United States, the basic financial statements of the South Hunterdon Regional School District in the County of Hunterdon for the year ended June 30, 2016, and have issued our report dated November 15, 2016.

As part of our audit, we performed procedures required by the New Jersey Department of Education, and the findings and results are disclosed on the following pages, as listed in the accompanying table of contents.

This report is intended solely for the information of the South Hunterdon Regional School District, County of Hunterdon, New Jersey, the New Jersey Department of Education and federal and state audit awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.


CERTIFIED PUBLIC ACCOUNTANTS


PUBLIC SCHOOL ACCOUNTANT NO. 962

November 15, 2016

Independent Auditor's Management Report of Administrative Findings Financial and Compliance

SCOPE OF AUDIT

The audit covered the financial transactions of the Board Secretary/School Business Administrator and the Bookkeeper/Treasurer, the activities of the South Hunterdon Regional Board of Education, and the records of the various funds under the auspices of the Board of Education.

ADMINISTRATIVE PRACTICES AND PROCEDURES

Insurance

Insurance coverage was carried in the amounts as detailed on the Insurance Schedule (Exhibit J-20) contained in the District's Comprehensive Annual Financial Report (CAFR).

Official Bonds (N.J.S.A. 18A:17-26, 17-32)

<u>NAME</u>	<u>POSITION</u>	<u>AMOUNT OF BONDS</u>
Kerry Sevilis	Board Secretary/School Business Administrator	\$200,000.00
All Employees	Blanket Bond	\$100,000.00

Adequacy of insurance coverage is the responsibility of the Board of Education.

Tuition Charges

A comparison of tentative tuition charges and actual certified tuition charges was made.

FINANCIAL PLANNING, ACCOUNTING AND REPORTING

Examination of Claims

Our audit of claims paid during the period under review did not indicate any discrepancies with respect to signatures, certification or supporting documentation.

**Independent Auditor's Management Report of Administrative
Findings- Financial and Compliance**

FINANCIAL PLANNING, ACCOUNTING AND REPORTING (CONTINUED)

Payroll Account

The net salaries of all employees of the Board were deposited in the Payroll Account. Employees' payroll deductions and employer's share of fringe benefits were deposited in the Payroll Agency Account.

All payrolls tested were approved by the Superintendent and were certified by the President of the Board and the Board Secretary/Business Administrator and the Chief School Administrator.

Salary withholdings were promptly remitted to the proper agencies, including health benefits withholding due to the general fund.

Payrolls were delivered to the secretary of the board who then deposited with warrants in separate bank accounts for net payroll and withholdings.

The balances of funds on deposit in the Payroll Account are analyzed on a monthly basis.

Position Control Roster

The Position Control Roster was reviewed and compared to payroll records, employee benefit records and charges made to the general ledger to ensure proper and consistent financial reporting and that employee benefits are only offered to current employees.

Reserve for Encumbrances and Accounts Payable

A review of outstanding issued purchase orders was made as of June 30 for proper classification of orders as reserve for encumbrances and accounts payable without exception.

Classification of Expenditures

The coding of expenditures was tested for proper classification in accordance with N.J.A.C.6A:23A-16.2(f) as part of our test of transactions of randomly selected expenditure items. We also reviewed the coding of all expenditures included in our compliance and single audit testing procedures. In addition to randomly selecting a test sample, our sample specifically targeted administrative coding classifications to determine overall reliability and compliance with N.J.A.C. 6A:23A-8.3. As a result of the procedures performed, no errors were noted and no additional procedures were deemed necessary to test the propriety of expenditure classification.

Board Secretary's Records

The financial records, books of account and minutes of the Board Secretary were maintained in satisfactory condition and an encumbrance system was fully implemented.

**Independent Auditor's Management Report of Administrative
Findings Financial and Compliance**

FINANCIAL PLANNING, ACCOUNTING AND REPORTING (CONTINUED)

Treasurer's Records

The records maintained by the Bookkeeper/Treasurer were in agreement with the records maintained by the Board Secretary/School Business Administrator.

Elementary and Secondary Education Act (E.S.E.A.)/ Improving America's Schools Act (IASA) as Reauthorized by the No Child Left Behind Act of 2001

The E.S.E.A./NCLB financial exhibits are contained within the Special Revenue Section of the CAFR. This section of the CAFR documents the financial position pertaining to projects under Title I, Title II, and Title III of the Elementary and Secondary Education Act as amended and reauthorized.

Other Special Federal and State Projects

The District's Special Projects were approved as listed on Exhibits K-3 and K-4 located in the CAFR.

Our audit of the federal and state funds on a test basis, indicated that obligations and expenditures were incurred during the fiscal year or project period for which the project was approved.

The financial exhibits are contained within the Special Revenue Section of the CAFR. This section of the CAFR documents the financial position pertaining to the aforementioned special projects.

T.P.A.F. Reimbursement

Our audit procedures included a test of the semi-monthly reimbursements filed with the Department of Education for district employees who are members of the Teachers' Pension and Annuity Fund. No exceptions were noted.

The amount of the expenditure charged to the current year's Final Report for all federal awards for the school district to reimburse the State for the TPAF/FICA payments made by the State on-behalf of the school district for those employees whose salaries are identified as being paid from federal funds was made prior to the end of the 90 day grant liquidation period required by the Office of Grants Management. The expenditure was reviewed subsequent to the reimbursement and no exceptions were noted.

**Independent Auditor's Management Report of Administrative
Findings Financial and Compliance**

SCHOOL PURCHASING PROGRAMS

Contracts and Agreements Requiring Advertisement for Bids

N.J.S.A. 18A:18A-3 States, "a. When the cost or price of any contract awarded by the purchasing agent in the aggregate, does not exceed in a contract year the total sum of \$29,000.00, the contract may be awarded by a purchasing agent when so authorized by resolution of the board of education without public advertising for bids and bidding therefore, except that the board of education may adopt a resolution to set a lower threshold for the receipt of public bids or the solicitation of competitive quotations. If the purchasing agent is qualified pursuant to subsection b. of section 9 of P.L. 1971 c. 198 (C.40A:11-9) the board of education may establish that the bid threshold may be up to \$40,000.00. Such authorization may be granted for each contract or by a general delegation of the power to negotiate and award such contracts pursuant to this section".

b. Commencing in the fifth year after the year in which P.L. 1999 c. 440 takes effect, and every five years thereafter, the Governor, in consultation with the Department of Treasury, shall adjust the threshold amount and the higher threshold amount which the board of education is permitted to establish as set forth in subsection a. of this section or the threshold amount resulting from any adjustment under this subsection, in direct proportion to the rise or fall of the index rate as that term is defined in N.J.S.A. 18A:18A-2 and shall round the adjustment to the nearest \$1,000.00. The Governor shall notify all local school districts of the adjustment no later than June 1 of every fifth year. The adjustment shall become effective on July 1 of every year in which it is made. Any contract made pursuant to this section may be awarded for a period of 24 consecutive months, except that contracts for professional services pursuant to paragraph (1) of subsection a. of N.J.S.A. 18A:18A-5 may be awarded for a period not exceeding 12 consecutive months."

N.J.S.A. 18A:18A-4 states, "Every contract for the provision or performance of any goods or services, the cost of which in the aggregate exceeds the bid threshold, shall be awarded only by resolution of the board of education to the lowest responsible bidder after public advertising for bids and bidding therefore, except as is provided otherwise in this chapter or specifically by any other law".

The board of education may, by resolution approve by the majority of the board of education and subject to subsections b. and c. of this section, disqualify a bidder who would otherwise be determined to be the lowest responsible bidder, if the board of education finds that it has had negative prior experience with the bidder."

Effective July 1, 2015, the bid thresholds in accordance with N.J.S.A. 18A:18A-3(a) and (c) is \$40,000.00 (with a Qualified Purchasing Agent) and \$29,000.00 (without a Qualified Purchasing Agent), respectively. The law regulating bidding for public school student transportation contracts under N.J.S.A. 18:39-3 is currently \$18,800.00.

**Independent Auditor's Management Report of Administrative
Findings Financial and Compliance**

SCHOOL PURCHASING PROGRAMS (CONTINUED)

Contracts and Agreements Requiring Advertisement for Bids (Continued)

The Board of Education has the responsibility of determining whether the expenditures in any category will exceed the statutory thresholds within the fiscal year. Where question arises as to whether any contract or agreement might result in violation of the statute, the solicitor's opinion should be sought before a commitment is made.

Inasmuch as the system of records did not provide for an accumulation of payments for categories for the performance of any work or the furnishing or hiring of any materials or supplies, the results of such an accumulation could not reasonably be ascertained. Disbursements were reviewed, however, to determine whether any clear-cut violations existed.

The results of our examination indicated that no individual payments, contracts or agreements were made "for the performance of any work or the furnishing or hiring of any materials or supplies," in excess of the statutory thresholds where there had been no advertising for bids in accordance with the provisions of N.J.S.A. 18A:18A-4.

Resolutions were adopted authorizing the awarding of contracts or agreements for "Professional Services" per N.J.S.A. 18A:18A-5.

SCHOOL FOOD SERVICE

The school food service program was not selected as a major federal and/or state program. However, the program expenditures exceeded \$100,000 in federal and/or state support. Accordingly, we inquired of school management, or appropriated school food service personnel, as to whether the SFA had any Child Nutrition Program reimbursement over-claims or under-claims. No exceptions were noted.

The school food service program was not selected as a major federal and/or state program. However, the program expenditures exceeded \$100,000 in federal and/or state support. Accordingly, we inquired of school management, or appropriated school food service personnel, as to whether the SFA expenditures of school food service revenues were limited to allowable direct and indirect costs. No exceptions were noted.

The financial transactions and statistical records of the School Food Services were maintained in satisfactory condition. The financial accounts, meal count records and eligibility applications were reviewed on a test-check basis. No exceptions were noted.

Cash receipts and bank records were review for timely deposit without exception.

**Independent Auditor's Management Report of Administrative
Findings Financial and Compliance**

SCHOOL FOOD SERVICE (CONTINUED)

The District utilizes a food service management company (FSMC) and is depositing and expending program monies in accordance with N.J.S.A. 18A:17-34, and 19-1 through 19-4.1. Provisions of the FSMC contract/addendum were reviewed and audited. The FSMC contract includes an operating results provision that the food service program will operate at no cost or breakeven. The operating results provision has been met.

Expenditures were separately recorded as food, labor and other costs. Vendor invoices were reviewed and costs verified. Inventory records on food and supply items were currently maintained and properly applied in determining the cost of food and supplies used. No exceptions were noted.

The cash disbursements records reflected expenditures for program related goods and services. The appropriated revenue and expenditure records were maintained in order to substantiate the non-profit status of the school food service. Net cash resources did not exceed three months average expenditures.

Time sheets were reviewed and labor costs verified. Payroll records were maintained on all School Food Services employees authorized by the board of education. No exceptions were noted.

The number of meals claimed for reimbursement was verified against sales and meal count records. As part of the claims review process the edit check worksheet was completed. Reimbursement claims were submitted in a timely manner. No exceptions were noted.

Applications for free and reduced price meals were reviewed for completeness and accuracy. The number of free and reduced price meals claimed as served did not exceed the number of valid applications on file, times the number of operating days, on a school by school basis. The free and reduced priced meal policy is uniformly administered throughout the school system. The required verification procedure for free and reduced price applications was completed and available for review. No exceptions were noted.

National Food Distribution Commodities were received and an inventory was maintained on a first-in, first-out basis. No exceptions were noted.

Exhibits reflecting Child Nutrition Program operations are included in Section B of the CAFR.

The District maintains the detailed revenue and expenditure information necessary to execute the USDA mandated Non-Program Food Revenue tool at least annually.

**Independent Auditor's Management Report of Administrative
Findings Financial and Compliance**

STUDENT BODY ACTIVITIES/ATHLETIC FUNDS

A cash receipts and disbursement record were maintained in satisfactory condition.

APPLICATION FOR STATE SCHOOL AID

Our audit procedures included a test of information reported in the October 15, 2015 Application for State School Aid (A.S.S.A) for on-roll, private schools for the handicapped, low income, and bilingual. We also performed a review of the district procedures related to its completion. The information on the A.S.S.A. was compared to the district workpapers with immaterial exceptions. The results of our procedures are presented in the Schedule of Audited Enrollments.

The district maintained workpapers on the prescribed state forms or their equivalent.

The district had written procedures for the recording of student enrollment data.

PUPIL TRANSPORTATION

Our audit procedures included a test of on roll status reported in the 2015-2016 District Report of Transported Resident Students (DRTRS). The information that was included on the DRTRS was verified to the DRTRS Eligibility Summary Report without exception. The results of our procedures are presented in the Schedule of Audited Enrollments.

Our procedures also included a review of transportation related contracts and purchases. Based on our review, the district complied with proper bidding procedures and award of contracts. The bid specifications for the purchase of buses were in compliance with applicable statutes. No exceptions were noted in our review of transportation related purchases of goods and services.

FACILITIES AND CAPITAL ASSETS

Our procedures included a review of the SDA grant agreement for consistency with recording SDA revenue, transfer of local funds from the general fund or from the capital reserve account, and awarding of contracts for eligible facilities construction.

FOLLOW-UP ON PRIOR YEAR'S FINDINGS

Not applicable

**Independent Auditor's Management Report of Administrative
Findings Financial and Compliance**

RECOMMENDATIONS

Administrative Practices and Procedures

None

Financial Planning, Accounting and Reporting

None

School Purchasing Program

None

School Food Services

None

Student Body Activities

None

Application for State School Aid

None

Pupil Transportation

None

Capital Assets and Facilities

None

Prior Year's Findings

N/A

SOUTH HUNTERDON REGIONAL HIGH SCHOOL DISTRICT
SCHEDULE OF AUDITED ENROLLMENTS
APPLICATION FOR STATE SCHOOL AID SUMMARY
ENROLLMENT AS OF OCTOBER 15, 2015

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	2016-2017 Application for State School Aid						Sample for Verification				Private Schools for Disabled						
	Reported on A.S.S.A. On Roll		Reported on Workpapers On Roll		Errors		Sample Selected from Workpapers		Verified per Registers On Roll		Errors per Registers On Roll		Reported on A.S.S.A. as Private Schools	Sample for Veri- cation	Sample Verified	Sample Errors	
	Full	Shared	Full	Shared	Full	Shared	Full	Shared	Full	Shared	Full	Shared					
Half Day Preschool 3-YR																	
Half Day Preschool 4-YR																	
Full Day Preschool 3-YR																	
Full Day Preschool 4-YR																	
Half Day Kindergarten																	
Full Day Kindergarten	74		74				18		18								
One	59		59				16		16								
Two	70		70				19		19								
Three	58		58				18		18								
Four	68		68				16		16								
Five	63		63				16		16								
Six	58		58				16		16								
Seven	69		69				18		18								
Eight	51		51				14		14								
Nine	50		50				14		14								
Ten	56	1	56	1			14	1	14	1							
Eleven	63	13	63	13			17	5	17	5							
Twelve	58	8	58	8			15	2	15	2							
Post-Graduate																	
Adult H.S. (15+CR.)																	
Adult H.S. (1-14 CR.)																	
Subtotal	797	22	797	22			211	8	211	8							
Special Ed - Elementary	54		52		2		15		15				4	4	4		
Special Ed - Middle School	41		41				11		11				1	1	1		
Special Ed - High School	37	5	37	5			10	1	10	1			5	3	3		
Subtotal	132	5	130	5	2		36	1	36	1			10	8	8		
Co. Voc. - Regular																	
Co. Voc. Ft. Post Sec.																	
Totals	929	27	927	27	2		247	9	247	9			10	8	8		
Percentage Error					0.22%	0%							0%	0%			0%

**SOUTH HUNTERDON REGIONAL HIGH SCHOOL DISTRICT
SCHEDULE OF AUDITED ENROLLMENTS
APPLICATION FOR STATE SCHOOL AID SUMMARY
ENROLLMENT AS OF OCTOBER 15, 2015**

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	Resident Low Income			Sample for Verification			Resident LEP Low Income			Sample for Verification		
	Reported on A.S.S.A. as Low Income	Reported on Workpapers as Low Income	Errors	Sample Selected from Workpapers	Verified to Application and Register	Sample Errors	Reported on A.S.S.A. as LEP low Income	Reported on Workpapers as LEP low Income	Errors	Sample Selected from Workpapers	Verified to Test Score and Register	Sample Errors
Half Day Preschool 3-YR												
Half Day Preschool 4-YR												
Full Day Preschool 3-YR												
Full Day Preschool 4-YR												
Half Day Kindergarten												
Full Day Kindergarten	17	17		10	10							
One	14	14		8	8		8	8		7	7	
Two	21	21		12	12		5	5		4	4	
Three	10	10		6	6		2	2		2	2	
Four	12	12		7	7							
Five	13	13		7	7							
Six	6	6		3	3							
Seven	12	11	1	7	7							
Eight	4	4		2	2							
Nine	6	6		3	3							
Ten	12	13	(1)	7	7							
Eleven	10	10		6	6		1.5	1.5		1	1	
Twelve	8.5	8.5		5	5		1	1		1	1	
Post-Graduate												
Adult H.S. (15+CR.)												
Adult H.S. (1-14 CR.)												
Subtotal	145.5	146		83	83		17.5	17.5		15	15	
Special Ed - Elementary	26	20	6	15	15		5	5		4	4	
Special Ed - Middle	17	16	1	10	10							
Special Ed - High	16	16		9	9							
Subtotal	59	52	7	34	34		5	5		4	4	
Co. Voc. - Regular												
Co. Voc. Ft. Post Sec.												
Totals	204.5	197.5	7	117	117		22.5	22.5		19	19	
Percentage Error			3.42%				0%			0%		0%

Transportation

	Reported on DRTRS by DOE/County	Reported on DRTRS by District	Errors	Tested	Verified	Errors
Reg. - Public Schools, col. 1	428	428		175	175	
Reg -SpEd, col. 4	11	11		5	5	
Transported - Non-Public, col. 3	25	25		10	10	
Special Ed Spec, col. 6	17	17		7	7	
Totals	481	481		197	197	
Percentage Error						0%

SOUTH HUNTERDON REGIONAL HIGH SCHOOL DISTRICT
SCHEDULE OF AUDITED ENROLLMENTS
APPLICATION FOR STATE SCHOOL AID SUMMARY
ENROLLMENT AS OF OCTOBER 15, 2015

12

	<u>Resident LEP NOT Low Income</u>			<u>Sample for Verification</u>		
	<u>Reported on A.S.S.A. as NOT Low Income</u>	<u>Reported on Workpapers as NOT Low Income</u>	<u>Errors</u>	<u>Sample Selected from Workpapers</u>	<u>Verified to Application and Register</u>	<u>Sample Errors</u>
Half Day Preschool						
Full Day Preschool						
Half Day Kindergarten						
Full Day Kindergarten						
One						
Two						
Three						
Four						
Five						
Six						
Seven						
Eight						
Nine						
Ten						
Eleven						
Twelve						
Post-Graduate						
Adult H.S. (15+CR.)						
Adult H.S. (1-14 CR.)						
Subtotal	-	-	-	-	-	-
Special Ed - Elementary						
Special Ed - Middle						
Special Ed - High						
Subtotal	-	-	-	-	-	-
Co. Voc. - Regular						
Co. Voc. Ft. Post Sec.						
Totals	-	-	-	-	-	-
Percentage Error			0%			0%

SOUTH HUNTERDON REGIONAL SCHOOL DISTRICT
SCHEDULE OF CALCULATION OF EXCESS SURPLUS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

REGULAR DISTRICT

SECTION 1

2% Calculation of Excess Surplus

2015 - 2016 Total General Fund Expenditures per CAFR Ex. C-1 \$ 20,445,164.13

Increased by:

Transfer from Capital Outlay to Capital Projects Fund	
Transfer from Capital Reserve to Capital Projects Fund	696,000.00

Decreased by:

On-Behalf TPAF Pension and Social Security	1,938,508.87
Assets Acquired Under Capital Leases	202,585.19

Adjusted 2015 - 2016 General Fund Expenditures \$ 19,000,070.07

2% of Adjusted 2015 - 2016 General Fund Expenditures 380,001.40

Greater of Line Above or \$250,000.00 380,001.40

Increased by: Allowable Adjustment 22,291.00

Maximum Unreserved/Undesignated Fund Balance \$ 402,292.40

SECTION 2

Total General Fund Balances at June 30, 2016 \$ 5,356,071.07

Decreased by:

Year-End Encumbrances	223,067.17
Legally Restricted - Designated for Subsequent Year's Expenditures	
Legally Restricted - Excess Surplus-Designated for Subsequent Year's Expenditures	817,152.72
Other Restricted Fund Balances	3,416,366.92
Assigned Fund Balance - Unreserved - Designated for Subsequent Year's Expenditures	106,340.28

Total Unassigned Fund Balance \$ 793,143.98

SECTION 3

Restricted Fund Balance-Excess Surplus \$ 390,851.58

Recapitulation of Excess Surplus as of June 30, 2016

Reserved Excess Surplus - Designated for Subsequent Year's Expenditures \$ 817,152.72

Reserved Excess Surplus 390,851.58

Total \$ 1,208,004.30

Detail of Allowable Adjustments

Extraordinary Aid \$ 11,993.00

Additional Non-Public School Transportation Aid 10,298.00

\$ 22,291.00

Detail of Other Restricted Fund Balance

Statutory Restrictions:

Capital Reserve \$ 2,649,394.77

Maintenance reserve 516,972.15

Emergency reserve 250,000.00

Total Other Restricted Fund Balance \$ 3,416,366.92

